

**TESTIMONY OF JIM SCHERR  
CHIEF EXECUTIVE OFFICER  
Of the  
UNITED STATES OLYMPIC COMMITTEE**

**Before the  
HOUSE COMMITTEE ON THE JUDICIARY**

**Thursday, June 9<sup>th</sup>, 2005  
11:30 A.M.**

Good morning Mr. Chairman and members of the Subcommittee. My name is Jim Scherr and I am the Chief Executive Officer of the United States Olympic Committee. This is a position I came to after having been an Olympic athlete, the head of a National Governing Body, a member of the USOC's former Board of Directors and its Executive Committee, and most recently, Chief of Sport Performance of the USOC. In short, I have considerable experience with and a multi-dimensional perspective of the Olympic Family about which you have asked the question, "Is it functional or dysfunctional?"

I submit to you that until recently an argument can be made that the US Olympic family was clearly dysfunctional, but that is no longer the case, and with a unified effort it can become the entity that Congress originally intended it to be, what the American people expect it to be, and, most importantly, what our Olympic, Paralympic, and Pan American athletes need it to be. In order to achieve these goals there will have to be considerable change at all levels, a process that is often difficult and painful to undertake. But this is something we at the USOC know first-hand because we have recently implemented some long-needed and substantial changes.

As you probably know, two years ago there was a series of comprehensive examinations of the USOC's governance and management structures conducted by committees within both the United States Senate and the House of Representatives, and two separate task forces comprised of distinguished leaders of business, law, broadcasting, and sports. Although each operated independently their recommendations were, with a few minor variations, virtually identical. The major recommendations were pretty tough, but without hesitation the leadership of the USOC began implementing them in November 2003.

The major recommendation was to dissolve the unwieldy and often conflicted 125-person board of directors and substitute for it a streamlined, independent, and more accountable 11-person board. We also reduced the more than 20 committees to 4, and empowered management to make business decisions that were previously imbued with the politics of the oversized governance structure. All of this was done by the incumbents—the more than one hundred people involved in our former governance structure chose to vote themselves out of power in an effort to ensure a better future for the USOC, the US Olympic family and most importantly, America's athletes.

The new board is chaired by Mr. Peter Ueberroth, one of the most respected business, civic, and sports management leaders in America. This new board has established governance policies and created structures that demand accountability, transparency, and ethical behavior in all transactions, and they have redirected the mission of the organization back to that which puts the interests of athletes first, and demands the same level of excellence of administrators and support personnel that is exhibited by the aspiring Olympians and Paralympians we are all dedicated to serving.

On the management side, to regain the confidence of the public and deal with the organization's inefficiencies, we have recently completed a sweeping reorganization that involved the elimination of more than 100 budgeted full-time positions, representing

(2)

more than 20% of the total USOC workforce. The USOC's senior management voluntarily decided two years ago to freeze the salaries of all senior positions, substantially reduce the

incentive compensation program, reduce overhead expenses, restrict travel, and convert to cash certain assets, all to generate more funds for the support of our Olympic, Paralympic, and Pan American athletes. We voluntarily undertook these efforts to increase the overall efficiency and effectiveness of the USOC, and to send a strong message to our constituents that the USOC does in fact place Athletes First. These efforts allowed us to make available an additional \$3.5 million in support for our athletes training for the Athens Olympic Games, and to pursue our fight against athlete doping which has become the world standard that other sports organizations have been encouraged by Members of this Congress to emulate.

Our efforts during the 2001 through 2004 quadrennium enabled the USOC to enjoy its most successful quadrennium ever by all relevant measures, including medal counts and revenue generation. But we know we can do even better and we believe we are on a path to do so. To succeed, however, we will need to ensure that the entire Olympic family is more effective and efficient.

My comments will now move beyond the changes that have been implemented within the USOC and will focus on the process of working with our member National Governing Bodies, or ANGBs, and the multi-sport organizations, to help them implement similar changes to their structures and standards. We fully understand that for some organizations, the process of embracing and implementing change is painful. Nevertheless, in order for us to become a fully functional Olympic family pulling together for the same goal, that is, service to our athletes, these changes must be made.

One of the first and most important priorities we now have is to deliver effective support to our athletes, particularly financial support. For the USOC, our funding is generated entirely from private sources, which stands in stark contrast to almost every other major National Olympic Committee, the majority of which receive funding from their respective governments. The allocation of our limited resources is one of the greatest challenges we face, with demands from so many sectors ranging from high performance services and programs, elite athlete health insurance, anti-doping programs, and programs for the disabled. Our priority, and our internal mantra, is to put Athletes First. Accordingly, we have doubled the amount of financial assistance that will be provided directly to Olympic and Paralympic athletes and hopefuls. We have also doubled the amount we spend on Elite Athlete Health Insurance for athletes, increased the amount we spend on training centers and other high performance services we provide to athletes, substantially increased our funding for the fight against doping to protect athletes, and substantially increased our support of Paralympic athletes.

We have discarded our previous policy of giving NGBs automatic entitlement to a certain level of annual funding. Instead, the award of a grant and its amount will be contingent upon a comprehensive USOC evaluation of an NGB's performance and programs. I

(3)

believe that this process is quite similar to how this Subcommittee and other committees of Congress evaluate various Executive Branch programs under their jurisdiction. Similarly, in an effort to allow the organization to more effectively fulfill its mission of winning Olympic and Paralympic medals, the USOC has revisited its program for funding NGBs that govern sports which are only on the program of the Pan American Games.

On the governance side, as a condition for affiliation with, recognition by, and other support from the USOC, we are requiring that NGBs restructure their board in a manner that is reflective of good governance and Sarbanes/Oxley principles as the USOC has done. Further, we are requiring that they adopt procedures and practices that ensure the same level of accountability, transparency, and ethical conduct that the USOC is demanding of itself.

When the USOC dissolved its large board nearly two years ago there was some resistance because it meant that many people, indeed, more than one hundred, would lose their seats at the table. I believe that some of the NGBs may be experiencing similar resistance to our efforts to require accountability, good governance and increased support for elite and developing athletes in their sports. I submit, however, that these and other changes should be accepted and implemented just as the USOC did in response to recommendations of two Congressional Committees and the task forces that had carefully considered what would best serve America's Olympic interests. These efforts to assist NGBs should be applauded, not attacked, because they are in the best interests of our athletes and the entire nation.

There is still important work that must be done before the USOC can function with maximum efficiency and effectiveness. However, we have come a long way in a very short period of time, and there is much about which we are proud. We have just completed a quadrennial period that was the most successful in the history of the USOC. America's Olympic athletes captured 137 medals, 34 of them at the 2002 Olympic Winter Games in Salt Lake City and 103 at the Summer Games last summer in Athens. And matching their level of achievement were our Paralympians who finished among the top five nations in the medal count in both Salt Lake City and Athens. We have reformed the way the world views us in the fight against doping in sport. We have accomplished the highest levels of revenue generation ever. The viewership of the Athens Olympic Games was the largest ever for a Games not based in North America and the highest ever worldwide.

Just as important as the medal count, however, was the manner by which America's athletes represented our country with pride, honor and in a manner consistent with the Olympic Ideals, which includes honest, fair, and drug-free competition. We went to great lengths to address with athletes negative conduct issues that had occurred in the past in an effort to ensure they did not occur again, and they did not occur.

(4)

All of the measures we have implemented and are now asking our family partners in the Olympic Movement to implement -- are designed to provide more tools and resources to fulfill our newly-articulated mission, developed in consultation with and approved by an overwhelming majority of all of our constituent organizations, which is to support U.S. Olympic and Paralympic athletes in achieving sustained competitive excellence and preserve the Olympic ideals, and thereby inspire all Americans. To achieve this we are doing old things in new ways and new things in better ways. We are trying to be more creative, and more relevant to society as a whole, consistent with our obligations as announced in the Amateur Sports Act, and in the spirit of what we refer to as Olympism. For example, we have launched a program to bring Paralympic sport to disabled active duty and veteran American servicemen wounded in the Middle East and elsewhere. We have been conducting demonstrations at Walter Reed Army Medical Center and, working closely with the House Veterans Affairs Committee, are in the

process of establishing a more formal partnership with the Department of Veterans Affairs so as to better serve these men and women. Since all funds that the USOC receives come entirely from finite private sources rather than government sources, to conduct new programs such as this we must operate in an even more efficient manner than ever before.

Let me briefly address an issue with which Chairman Sensenbrenner had direct involvement, specifically the challenge leveled by a Korean gymnast to Paul Hamm's Olympic gold medal. I cannot express to you how proud we are of what Paul was able to accomplish in Athens, and how committed we were to defending his medal against the attacks of the international gymnastics federation and the Korean Olympic Committee. In the effort to get Paul to the podium in Athens, through 2004, the USOC and USA Gymnastics provided Paul and his coaches with more than \$200,000 in direct athlete support and access to programs that cost the USOC and USA Gymnastics more than \$200,000 to deliver. This is consistent with the type of support the USOC, in partnership with our National Governing Bodies, provides a successful aspiring Olympian.

We were as supportive of the effort to preserve his gold medal as we were in the effort for him to earn it. In the preservation of Paul's medal, we expended over \$400,000 and additionally committed the staff time and attention of our legal division and other employees for over a month. While there were issues with communications in Athens between the USOC, the international gymnastics federation, USA Gymnastics, and Paul that appear clearer now in the light of hindsight than they did at the time, I can tell you we have learned a great deal from our experience. We have implemented internal policies and practices to address these issues in the future. To sum those up, going forward, we are not going to rely upon others to be conduits in our communication with athletes about issues affecting them at the Olympic Games. We are going to involve them in a direct discussion as we attempt to manage these issues to their benefit.

I can also tell you that the USOC has been very active in the preservation of athletes' rights. In particular, I am a former athlete and approach these issues from that

(5)

perspective, and a number of our management team and Board members are former athletes and have the same perspective. In addition, since the 1998 revisions to our statute, the USOC has had a full-time, statutorily-mandated athlete ombudsman who is an Olympian himself and acts as a resource to athletes who bring these matters to his attention. We have invested considerable efforts in ensuring that all athletes are aware and able to take advantage of the athlete ombudsman system. In addition, we have invested USOC employees other than the athlete ombudsman in the effort to protect athlete opportunities to compete in Olympic-related competition without undue interference from commercial considerations or considerations other than athlete performance. While athletes' rights issues develop and change over time, we have made every effort to be responsive to and communicate those changes to ensure that the rules governing athlete participation in the events leading up to the Olympic Games are being followed by the NGBs and other sports governing bodies. We believe that athletes' rights are adequately protected by the existing statute, the USOC Bylaws, and internal policy, such that no legislative change is needed at this time.

The vision of the USOC is to enable America's athletes to realize their Olympic and

Paralympic dreams.@ Through the achievement of these dreams by our athletes, we can inspire our country and make important contributions to our country, our society, and indeed, the world. I appreciate your interest in an institution and a movement that has meant so much to me for over 25 years first as an athlete, then as a volunteer, and finally as an NGB and then USOC executive. I welcome your involvement in helping us to make the Olympic Family the best it can be.